A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF NTPC AND TATA POWER COMPANY LTD.

A Synopsis

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Forwarded

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INTRODUCTION

Generally, Public sector units are commonly considered loss making or not so profitable. It is argued that public utility services such as Power sector is full of challenges and being profitable in this sector is a difficult task. Interestingly, NTPC has another story to tell. This Maharatna Power generating CPSE is not only profitable but also top performer on the field. Therefore, the researcher believes that study on financial performance and its financial management model, and Iso its comparison with renowned and top performer private power generating company i.e. TATA Power Company Ltd. shall help in finding out the similarities and difference in their financial management process and the business running models.

Furthermore, from extensive review of existing literatures which the researcher undertook, it is being believed that this area is still not so explored in terms of research and a very few studies were available in this direction. This limitation has further motivated the researcher to undertake this study.

Therefore, the researcher believes that this study shall examines the key factors in terms of financial strength, weaknesses, opportunity and threats of both the public and private sector and provides some useful suggestions for improving the overall performances of the other companies as well. This study is an attempt to compare the financial performances of both gigantic companies and to suggest to improve the performance of not only the selected companies but also the other power generating players as a whole. It is hoped that this study will help them for the better management and performance in the future.

OVERVIEW OF NATIONAL THERMAL POWER CORPORATION LIMITED

NTPC is India's largest energy conglomerate with roots planted way back in 1975 to accelerate power development in India. Since then, it has established itself as the dominant power major with presence in the entire value chain of the power generation business. From fossil fuels it has forayed into generating electricity via hydro, nuclear and renewable energy sources. This foray will play a major role in lowering its carbon footprint by reducing greenhouse gas emissions. To strengthen its core business, the corporation has diversified into the fields of consultancy, power trading, training of power professionals, rural electrification, ash utilisation and coal mining as well.

NTPC Limited headquartered at NTPC Bhawan, Scope Complex, 7, Institutional Area, Lodi Road, New Delhi-110001. It became a Maharatna company in May 2010. NTPC is ranked No. 2 Independent Power Producer (IPP) in Platts Top 250 Global Energy Company rankings. The total installed capacity of the company is 73,874 MW (including JVs) own stations include 26 coals based, 7 gas based, 1 Hydro, 15 Solar and 1 Small hydro project. Under JVs and

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Subsidiaries, NTPC has 9 coal-based, 4 gas based, 8 hydro based and 19 renewable energy projects. By 2032, non-fossil fuel-based generation capacity shall make up nearly 50% of NTPC's portfolio.

Out of 13 Maharatna public sector company, National Thermal Power Corporation Limited (NTPC) is selected for the study. Since the evolution of industrialisation, energy sector such as power and electricity are considered backbone for the growth of economy and even for the human life. Nowadays without electricity and power spending a single day of human life is impossible. Post independence, there is huge challenge before the country to develop the industry of energy sector to meet the needs of all manufacturing & processing industries and the residents of India as well. NTPC caters the need of our Indian economy and the people living in urban & rural areas gradually. The contributions of this Maharatna company in the field of power generation is immense, therefore NTPC have been selected to represent public sector power generating units for the study.

OVERVIEW OF TATA POWER COMPANY LTD.

Tata Power, formerly a part of the three entities jointly known as Tata Electric Companies, is a pioneer in technology adoption, with many firsts to its credit, supporting the country's energy independence.

Tata Power, together with its subsidiaries & joint entities, has a generation capacity of 14,384 MW of which 38% comes from clean energy sources. The company has the distinction of being among the top private players in each sector of the value chain including solar rooftop and value-added services.

Tata Power is a pioneer credited with steering the energy sector on technology, process and platform. Powering emerging technologies for the 'smart' customer, Tata Power's latest business integrated solutions, focusing on mobility and lifestyle, is poised for multi-fold growth.

Since its inception in 1915, Tata Power now has over a century of expertise in technology leadership, project execution excellence, world-class safety processes, customer care and driving green initiatives, Tata Power is committed to 'lighting up lives' for generations to come.

Tata Power's journey over a century has been a fascinating saga of pioneering initiatives; responsible business practices that have a minimal impact on the environment; and initiating several socio-economic changes in our community. In its quest to deliver sustainable energy, the Company is spreading its footprint nationwide, setting new benchmarks for operational efficiencies, investing in global resources and redefining paradigms. Its focus on building lasting and

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trusting relationships with its customers, partners and employees and the legacy of caring for its communities, remains the bedrock of its continued sustainability. The Company aims to energise consumer lifestyles by providing sustainable power. It hopes to inspire efficient use of Energy and endeavour to educate our customers, and the world, about the benefits of implementing energy conservation practices. It is committed to developing its business in a way that adds value to its local communities. Also, it aims to set higher benchmarks in terms of development standards, and in the implementation of cutting-edge eco-friendly technologies and processes of energy management. As Tata Power strives to lead the reform process for sustainable power, it is also committed to safeguarding the environment for future generations. After all, it was way back in the 1900s, that, its Founder, Shri Jamshetji Tata, vowed to provide the country and its people with cheap, clean, and abundant power. Tata Power continues to make good on that promise and takes pride in lighting up lives.

REVIEW OF LITERATURE

Ahuja and Majumdar (1998), in their paper titled "An Assessment of performance of Indian state owned enterprises" tried to analyze the performance of 68 state owned enterprise in manufacturing sector during five year period 1987 to 1991.Comparative performance was determined with various statistical tools. Regression analyses are used to evaluate variation in performance. The study concluded that there exists significant variation in the efficiency performance of the firm. The study identified various other factors like the firm specific characteristic, market status, generic environment factor, market competition as well as institutional characteristic which affect the performance of state owned enterprises.

Gupta, Sadhna (2007), in his thesis entitled "A critical analysis of financial statements of NTPC Limited since 1995" studied the financial statements of NTPC Limited covering the period of 1995-96 to 2005-06. Comparative analysis, trend analysis, common size balance-sheet and Ratio analysis are used the analyze the performance of the company.

Srivastava, G. Krishna (2002), in his thesis entitled "Growth and Financial Performance of NTPC With Special Reference To NTPC Unchahar". The study emphasizes at the management of long term finance, working capital management and profitability analysis.

Bardia (2006), in his paper titled "Liquidity trends in Indian Iron and steel Industry: A comparative study of SAIL and TISCO" made an attempt to present a comparative study of liquidity trends in SAIL and NTPC. Statistical methods such as index number, time series analysis, regression and chi-square test have been employed to examine liquidity position of both companies. Attempts has been made to calculate difference between actual and estimated values of working

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capital, current assets and current liabilities of both the companies. On the whole liquidity policies of both the companies had been precisely and effectively presented.

Bara (2010), in his thesis titled "A Study on Liquidity management of Indian Steel Industry" dealt with the analysis of steel industry in India. The study aimed at exploring the liquidity performance of steel industry in India covering period of ten years i.e. 1999-2000 to 2008-2009.Four companies namely JSWL, TS&AL, NTPC, and TSL. In order to analyze their financial performance accounting ratios were calculated like current ratio, quick ratio etc .For testing hypothesis one-way Anova was used..The study concluded that the need of liquidity in order to run day-to-day business can't be over-emphasized.

Agrawal, Ramesh Chandra (2010), in his thesis entitled "A study of corporate restructuring of central public sector undertakings-with special reference to NTPC India Ltd" tried to study the financial performance of Central PSU in general and NTPC in particular. The study was carried out under three broad aspects namely (i) procurement of fund and its application (ii) capital structure and (iii) working capital management. On the basis of study it was concluded that financial condition and health of NTPC was in worse condition. Capital restructurings and modernization in financial management was suggested in order to improve overall financial performance of the company.

Seetharaman, VP (2010), in his thesis titled "Financial performance of public sector undertakings in India: A study of selected heavy and medium engineering enterprises" has used econometrics approach to appraise the financial performance of public sector enterprises. The findings of the study suggest that liquidity consideration is an important factor from investment point of view.

Kutubudeen, T.M. (2014 December) in his thesis entitled "An analysis of the disinvestment programmes of the Central Public Sector Enterprises in India" studied both impact of pre disinvestment and post disinvestment for the Central Public Sector Enterprises in India and found that there is significant growth of Central Public Sector Enterprises in India in terms of investment, return on investment, solvency, net worth, operations and their management which continues so far.

Majeed, Rimsha, (2020), in her thesis entitled "Financial performance of BHEL in present Globalised regime" made an attempt to study the policy framework, liquidity, solvency, profitability, market value of the BHEL and found that company performs average. There is scope of taking better steps to improve the financial performance further.

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STATEMENT OF THE RESEARCH PROBLEM

An analysis of financial statement is an important and most vital technique to analyse or appraise the real performance of any company. Because it helps to understand performances in terms of profitability, solvency, activity and liquidity management of company. Accounting ratios and their standards depicts the actual position of any company which will be very useful for the stakeholders like investors, regulators, employees, suppliers etc. etc. It also helps in formulating development plans for the purpose of futuristic growth and development of a company.

The present study is a revisit into financial performance of the power generating public sector Maharatna company i.e. NTPC with a top performer private sector power generating company i.e. Tata Power. The researcher has following questions in his mind:

1. Does bestowing 'Maharatna Status' creates an impact on the financial performance of NTPC as financial entity?

2. Where the financial position of NTPC and TATA Power stands?

3. Does the comparative analysis of these public and private sector performance suggest better business running model for others too?

With an intension to know the answers of above question it was necessary to conduct indepth analysis of financial performance of NTPC and TATA Power Co. Ltd.. Also, the comparative analysis shall be conducted to know the strengths, weakness, and their management so that the results of this study may benefit the Government bodies, other Companies, Banks, financial institutions, researchers, and other parties who are associated with them.

OBJECTIVES OF THE STUDY

a) To identify key parameters which can be used to conduct financial performance appraisal.

b) To conduct In-depth financial performance analysis of NTPC based on selected financial parameters.

c) To conduct In-depth financial performance analysis of TATA Power Company Ltd. based on selected financial parameters.

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d) To conduct comparative analysis of financial performance between public sector power generating company (NTPC) and private sector power generating company (TATA Power Company Ltd.).

e) To propose recommendations and suggestions for further improvement in financial performance of the selected companies in particular and private and public companies of the country in general.

HYPOTHESES OF THE STUDY

For studying the above objectives, the following hypotheses have been frame:

H_{01}: *There is no significance of Profitability of selected companies during the study period.*

H_{A1}: *There is significance of Profitability of selected companies during the study period.*

SIGNIFICANCE OF THE STUDY

It is often argued that private companies perform better than public sector companies but NTPC, a Maharatna Company on a contrary performed better and demonstrated continuous growth especially after the introduction of LPG policy in 1991 by the Government of India. Therefore, this study can explain the strategies and practices which were implemented in the company for better performance.

On the other hand, there are various private power companies in India such as Adani Power Ltd., TATA Power Co. Ltd., Reliance Power Ltd., Jaiprakash Power Venture Limited, Rattanindia Enterprises Ltd., JSW Energy Ltd. etc. etc. but TATA Power Co. Ltd. is one of the trustable and profitable company in power sector which is considered by the researcher as counterpart for the comparative analysis. We also know that there is are huge challenges in the operations and being profitable in public utility services business especially in power sector but TATA Power Co. Ltd. performed better than any private players. So, this study will help to know about the policies and practices adopted by the company.

Lastly, the comparative study of financial performance will surely depict the strengths and weaknesses of both the companies which shall also be useful for their futuristic operations and management. Moreover, their strategies and practices may also be useful for the other companies for improving their operations and profitability.

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RESEARCH METHODOLOGY

The present study mainly focuses on the overall financial performance of Selected CPSEs in Maharatna category i.e. NTPC in terms of Profitability, solvency, turnover and liquidity management. Therefore, a study period of 10 years ranging from 2015-16 to 2024-25 has been taken into consideration. Furthermore, for comparative performance analysis of the selected private company, same time span has been taken so that uniformity of the data set in terms of time period is maintained.

Sources of the data:
This study is mainly based on secondary data. Secondary data is collected through annual reports, research reports, internet, and intranet, etc., of NTPC and TATA Power Company Ltd..

Study Period: This study covers a period of ten years starting from 2015-16 to 2024-25.

Tools and techniques for analysis: The data and information collected shall be tabulated and processed through accounting ratios and statistical tools like analysis, arithmetic mean, standard deviation, regression analysis and one independent t-test. For comparative analysis between selected companies Paired Sample *t*-test to be used.

PLAN OF THE STUDY (Tentative)

Chapter 1 – Introduction: This chapter contains the statement of research problem, objectives of the study, significance of the study, review of literature, methodology and work plan.

Chapter 2 - Background of the study: Overview of CPSE & Indian Power Industry

Chapter 3– Brief Profile of NTPC and TATA Power

Chapter 4 –In-depth Analysis of Financial Performance of NTPC and TATA Power Co. Ltd.

Chapter 5 – Data Analysis and Interpretation

Chapter 6 –Findings, Conclusion and Suggestions

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